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May 2, 2005

VIA E-Mail

Stanley E. Alderson, Trial Attorney  
U.S. Department of Justice/Civil Division  
Commercial Litigation Branch/Fraud Section  
P.O. Box 261, Ben Franklin Station  
Washington, D.C. 20044

Re: FEP/HMP APM True Up Information

Dear Stan:

Enclosed are copies of various spreadsheets responsive to your requests for information relative to:

- a) True-Up information relative to the Rebate portion for 1996-1997; and
- b) True-Up information relative to the Rebates (Retail, Mail & Generic) for Years 1999 – 2004

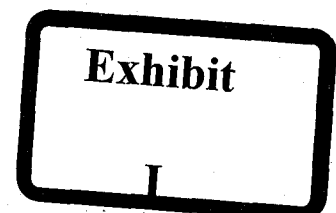
Below is a description of the information provided therein.

a. True-Up Information Relative to APM Rebates allocable to FEP/HMP in 1996/1997

The information previously provided to you (in early April 2005) for 1996 and 1997 described the Anthem FEP ("FEP") and Anthem Prescription Management ("APM") true-up of the administrative expenses allocable to Ohio HMO ("FEP/HMP") prescription drug plan available to federal employees under FEP's contract with the Office of Personnel Management ("OPM" or "the Government"). Those materials do not reflect true-ups of the rebate portion, only the administrative expenses.

During the past three weeks, FEP and APM have been unable to confirm that FEP performed a similar true-up for the rebates portion, which would have been shown as a credit or

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debit against the allocable administrative expenses if OPM's share of the rebates were more or less than the amounts already paid to OPM during the year (budgeted Rebates).

Attachment 1 is a spreadsheet that presents a calculation of OPM's allocable portion of the rebates if the script rebates had been true'd up at that time. You and Mr. Scott may recall that prior to 1998, APM handled script rebates differently than it did thereafter. The methodology used prior to 1998 was a multiplication of the total number of FEP scripts times the average rebate earned.<sup>1</sup> This methodology returned a rebate at the 'average' amount for *each* FEP/HMP script filled during a year, regardless of whether APM received any rebate, a larger rebate or a smaller rebate.

Both with regard to APM's calculation of rebates in 1996-1997 (Attachment 1) and APM's calculation of rebates for 1999 (when OPM first participated in the mail order prescription program) to 2004 (Attachment 2), there is no mechanism by which APM specifically identified the rebate source – e.g. how much of the rebates are generated by retail rebates or by mail rebates. Instead, what APM had done was to apply a ratio for purposes of internal reporting. APM used that ratio throughout its annual true-up for FEP/HMP until this immediate recalculation to incorporate *all* rebates in its true-ups at Mr. Keller's request. Unfortunately, APM's internal ratio does *not* relate accurately to the actual percentage and/or amounts of the rebate sources.

Thus, for 1996 and 1997, APM can determine:

- 1) The total dollar amount of rebates earned;
- 2) The total number of *retail* scripts filled;
- 3) The total number *mail* scripts filled;
- 4) The total number of *FEP retail* scripts filled; and
- 5) The total amount of rebates provided to OPM during the year.

Without being able to identify the dollar amount of the rebate generated by retail scripts, there is no precise way to determine the amount of over/under payment of rebates shared with OPM. What Attachment 1 attempts to do is to calculate OPM's share of the total rebates received based upon its total scripts multiplied by the average script rebate, which was

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<sup>1</sup> The 'average' rebate was, in turn, a calculation of the total dollar amount of all rebates received by APM divided by the total number of scripts (for all accounts) handled during the same annual time period. At all operative times, FEP's share of the total scripts was approximately 1% +/-.  
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determined by dividing total scripts into total (retail and mail) rebates. Therefore, the results shown *overstate* any rebate that may have been due to OPM in their respective final annual adjustments.

b. True-Up Information Relative to APM Rebates allocable to FEP/HMP in 1999/2004<sup>2</sup>

In early April 2005, FEP determined, in response to Mr. Keller's question, APM had not included in its FEP/HPM Rebate True-Up the full amount of Rebates earned by APM during each of the years 1999-2004; instead, APM had included an amount intended to represent the Retail Rebate Amount.<sup>3</sup> Since we advised you that APM had not include all rebate amounts, retail, mail, etc., in these years, both APM and FEP have investigated the FEP/HMP Rebate portion of the True-Up for each of these years to ascertain the effect, if any, of including 100% of all rebates received by APM annually in the true up analysis. In doing so, APM/FEP also had to include FEP/HMP's share of the expenses to operate the mail order program – which had never been allocated to the Government previously. Attachment 2 is an overview of the results achieved by this exercise. Attachments 3 through 8 represent a revised true-up for each year, including all backup information in order to allow OPM to confirm FEP's conclusions.

This analysis has determined that APM/FEP have traditionally undercharged FEP/HMP. The net effect of the corrective steps undertaken in this exercise is that FEP has undercharged the government, relative to the administrative expenses offset by rebates. In short, previous true-ups, while including less than 100% of the total rebates received, included almost all of the rebates received while, at the same time, did not allocate any of FEP/HMP's share of the expenses incurred to operate the mail order prescription program.

<sup>2</sup> All parties agree that the FEP/HMP did not participate in the mail order prescription program offered by APM until 1999. Therefore, no changes, other than the adjustment made in February 2003, were made to the 1998 True Up previously provided to the government. For your convenience, we have included another copy of the 1998 FEP True-Up, a copy of the PeopleSoft Zero Balance sheets showing Journal Entries reflecting the original Administrative Fee charged to FEP (\$83,530.54) and the original amount of rebates shared in 1998 (\$163,435). The February 2003 adjustment was made in combination with years 1999-2001. Attachment 9.

<sup>3</sup> As noted above, page 1 *infra*, APM has never been able to identify with precision the amount of rebates received from each type of program received. APM is able to identify specifically the total amount of rebates received in any year but had developed an approximate allocation percentage, for internal reporting purposes only. The percentage used to determine the dollar amount of Retail Rebates received annually probably overstated the amount attributable to that type of rebate since the amounts included in previous APM FEP/HMP Rebate True-Ups was more than 90% of the total rebate amount received.

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Additionally, the investigation pointed out several other items that this analysis has corrected. Specifically, FEP/APM found:

1) The True-Ups performed at year-end for 1999, 2000 and 2004 can be reconciled to the filed FEP/HPM Annual Accounting Statement for the same period.

2) In 2001, there was a transfer of responsibility within FEP for the process of preparing the claim expenses on the Annual Accounting Statement. It was thought that the department with this responsibility would incorporate the annual True-Ups prepared by APM for FEP. In 2001, 2002 and 2003, it appears that APM's True-Up analysis was not included in FEP's year-end adjustments, as reflected in the Annual Accounting Statement. However, FEP identified this oversight in 2004 and made a revision to the True Up adjustment for 2003 that *can* be traced to the filed Annual Accounting Statement in 2004. The net effect of this omission was in favor of the government.

3) In February 2003, APM (not FEP) prepared the revised True-Ups for 1998-2001 based upon its (APM's) assumption that FEP/HMP did not participate in the mail order prescription plan. This assumption was in error and, as a consequence, the attached corrected True-Ups now reflect FEP/HMP's participation in the mail order prescription program.

In summary, FEP/APM's recent analysis has found that (a) FEP's Annual Accounting Statement did not reflect the true-up analyzes prepared by APM for 2001 and 2002; and (b) as a result of APM's inability to precisely identify the rebate dollar amounts generated by each rebate type, its previous approach overcompensated to the benefit of the government. True-Ups for 1999 through 2004 included most of the total rebate amount but included NONE of the administrative expenses otherwise allocable to FEP/HPM to operate the mail order program.

#### Conclusion

As a consequence of FEP's recent analyzes, it appears that there has been a net undercharge to the government for the years 1996, 1997 and 1999 through 2004.

As noted in my earlier e-mail to you, I will forward to Mr. Keller a copy of this letter along with Attachment Nos. 1 and 2 but only the executive summaries for years 1999-2004 (Attachment Nos. 3 through 8). The balance of the information provided to the Government is considered confidential and proprietary financial information.

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After your review of this information, please contact us to discuss any further issues you may have and how best to conclude our settlement discussions.

Sincerely,

A handwritten signature in black ink, reading "Barbara A. Duncombe". The signature is fluid and cursive, with the first name "Barbara" and last name "Duncombe" clearly legible.

Barbara A. Duncombe

Encl. Attachments 1-9  
Cc: Jeff Hannah, Esq. w/out enclosures  
James A.Dyer, Esq. w/some enclosures  
Timothy Keller, Esq. w/out enclosure

ATTACHMENT 1  
1996 & 1997 Rebates  
FEP

1996

	Total	Notes
Rebates earned	\$12,123,752.36	This is the total amount of rebates that APM received, retail, mail, etc. FEP/HMP did not participate in APM's Mail Order Program in 1996 but APM is unable to identify the amount of retail rebates only.
Total Scripts	7,464,868	Retail Scripts of 6,618,805 and Mail Scripts of 846,063
Rebate per script	\$ 1.62	Actually \$1.6241 (averaged)
FEP Claims	129,039	Obtained from 1996 zero balance spreadsheets; these are retail scripts.
Rebates attributed to FEP	\$ 209,573.28	This calculation multiplies the total FEP retail scripts by the average rebate which includes both retail and mail rebates. This actually overstates the rebates due to OPM.
Rebates previously provided to FEP	\$ 57,942.00	
Amount Allocable to FEP/HMP	<u>\$ 151,631.28</u>	

1997

	Total	Notes
Rebates earned	\$20,065,371.12	See Note for 1996 above.
Total Scripts	16,389,805	Retail Scripts of 15,392,417; Mail Scripts of 997,388
Rebate per script	\$ 1.22	Actually \$1.2243 (averaged)
FEP Claims	142,164	Obtained from 1996 zero balance spreadsheets; these are retail scripts.
Rebates attributed to FEP	\$ 174,045.60	See Note for 1996 above.
Rebates previously provided to FEP	\$ 142,164.00	
Amount owed to FEP	<u>31,881.60</u>	

File #  
050305

00160676

5/2/2005

Antism Federal Blue HMO  
 Antism Prescription Management True Up  
 CY 1999 - 2004  
 ATTACHMENT 2

	1999	2000	2001	2002	2003	2004
<b>Original True Up Calculation</b>						
Net Operating Expenses - True Up To Be Used	\$50,297	\$9,753				\$268,738
Net Rebates Allocated to FEP	(\$34,431)	(\$75,872)	(\$6,893)		\$55,403	\$47,826
Total Due To (From) Anthem	\$15,863	(\$75,224)	\$3,944		\$58,680	\$74,564 (1)
<b>Revised True Up Calculation</b>						
Net Operating Expenses - True Up To Be Used	\$181,267	\$132,494	\$193,916	\$295,199	\$421,519	\$314,746
Net Rebates Allocated to FEP	(\$302,863)	(\$137,263)	(\$147,232)	(\$26,763)	\$25,286	\$338,350
Total Due To (From) Anthem	\$88,321	(\$277)	\$46,683	\$216,925	\$495,286	\$701,096
<b>Difference</b>						
Net Operating Expenses - True Up To Be Used	\$120,970	\$122,741	\$295,655	\$255,466	\$66,116	\$18,008
Net Rebates Allocated to FEP	(\$359,512)	(\$155,292)	(\$153,549)	(\$27,298)	\$25,286	\$351,443
Total Due To (From) Anthem	\$72,428	\$69,449	\$142,106	\$202,563	\$38,969	(\$33,435)

**Adjustments Included on Annual Accounting Statements (AAS)**

	1999	2000	2001	2002	2003	2004
Revised Statement						
Prior Period Adjustment on 2002 AAS	\$15,893 (1)	(\$76,224)	N/A	N/A	N/A	\$744,554 (1)
Prior Period Adjustment on 2004 AAS	(\$72,439)	(\$15,451)				
Net Filed Adjustments	\$2,444	(\$83,675)	(\$13,266)	\$0	\$205,212 (4)	\$744,564
Revised Adjustment						
Adjustment to be Made - Amount (Due To) From FE-HP	\$88,321	(\$773)	\$46,683	\$216,925	\$495,286	\$701,096
	\$85,877	\$84,900	\$238,951	\$216,925	\$287,076	(\$43,143)

- (1) Note that original True Up adjustment traces to filed Annual Accounting Statement (AAS).  
 (2) Due to clerical error, True Up adjustment was not included in Annual Accounting Statement.  
 (3) Due to clerical error, True Up adjustment was not included in Annual Accounting Statement.  
 (4) Revision to True Up adjustment on filed Annual Accounting Statement.

**Anthem Prescription Management, Inc.**  
**FEP Program True-up**  
 1999 FEP True-Up Summary

	Original	02/03 Submission	04/05 Submission	
<b>Operating Expenses (Admin Fee)</b>				
APM Operating Expenses	\$ 140,253,017	\$ 140,253,017	\$ 140,253,017	1
Less unallowed accounts	\$ (186,276)	\$ (186,276)	\$ (107,212,769)	2
Less unallowed cost centers	\$ (122,180,525)	\$ (122,180,525)	\$ (1,807,654)	3
Less allocations to Mail Services (non-FEP)	\$ (736,386)	\$ (736,386)	\$ -	
Base allowable to FEP	\$ 17,149,830	\$ 17,149,830	\$ 31,232,594	
Allocation to other business based upon script volume	\$ (16,990,337)	\$ (16,990,762)	\$ (30,942,131)	
FEP portion of operating expenses	\$ 159,493	\$ 168,068	\$ 290,463	
Admin fee charged to FEP business	\$ 109,196	\$ 109,196	\$ 109,196	
<b>Net Admin Due (To) / From FEP</b>	<b>\$ 50,297</b>	<b>\$ 58,872</b>	<b>\$ 181,267</b>	
<b>Rebates Shared</b>				
Rebates Earned	\$ 44,047,224	\$ 44,047,224	\$ 50,342,073	4
Allocate to other business based upon script volume	\$ 43,637,585	\$ 43,615,561	\$ 49,873,892	
FEP portion of rebates earned	\$ 409,639	\$ 431,663	\$ 468,181	
Rebates shared in 1999	\$ 375,235	\$ 375,235	\$ 375,235	
<b>Net Rebates Due (To) / From FEP</b>	<b>\$ (34,404)</b>	<b>\$ (56,428)</b>	<b>\$ (92,946)</b>	
<b>FEP Summary</b>				
Admin Fee Adjustment	\$ 50,297	\$ 58,872	\$ 181,267	
Rebates Shared Adjustment	\$ (34,404)	\$ (56,428)	\$ (92,946)	
<b>Total Due (To) / From FEP</b>	<b>\$ 15,893</b>	<b>\$ 2,444</b>	<b>\$ 88,321</b>	

02/03 Submission  
 Backed out Mail claims. APM did not realize FEP HMP participated in the mail order program.

04/05 Submission  
 Includes Mail Admin, Rebates and Claims as FEP HMP does participate in the mail order program.

1 Removed Cost of Goods Sold (Drugs) (COGS).

2 Added Mail Administration centers as an allowable recovery.

3 Added allocations to Mail Service because FEP HMP participates in the mail order program.

4 Includes all rebates (retail, mail & generic).



**Anthem Prescription Management, Inc.**  
**FEP Program True-up**  
**2000 FEP True-Up Summary**  
**ATTACHMENT 4**

	Original	02/03 Submission	04/05 Submission		
			1	2	3
<b>Operating Expenses (Admin Fee)</b>					
APM Operating Expenses	\$ 173,692,981	\$ 173,692,981	\$ 173,692,981	\$ (141,616,643)	\$ (2,625,514)
Less unallowed accounts	(78,571)	(78,571)			
Less unallowed cost centers	(158,477,007)	(158,477,007)			
Less allocations to Mail Services (non-FEP)	(474,630)	(474,630)			
Base allowable to FEP	\$ 14,662,773	\$ 14,662,773	\$ 29,450,824		
Allocation to other business based upon script volume	99.17%	99.13%	99.17%		
FEP portion of operating expenses	121,701	127,566		244,442	
Admin fee charged to FEP business	111,948	111,948		111,948	
<b>Net Admin Due (To) / From FEP</b>	<u>9,753</u>	<u>15,618</u>	<u>132,494</u>		
<b>Rebates Shared</b>					
Retail Rebates Earned	53,289,765	53,289,765	59,710,432		
Allocate to other business based upon script volume	99.17%	99.13%	99.17%		
Rebates allocated to FEP	442,305	463,621		495,597	
Rebates shared in 2001	362,328	362,328		362,328	
<b>Net Rebates Due (To) / From FEP</b>	<u>\$ (79,977)</u>	<u>\$ (101,293)</u>	<u>\$ (133,269)</u>		
<b>FEP Summary</b>					
Admin Fee Adjustment	9,753	15,618		132,494	
Rebates Shared Adjustment	(79,977)	(101,293)		(133,269)	
<b>Total Due (To) / From FEP</b>	<u>(70,224)</u>	<u>(85,675)</u>		<u>(775)</u>	

02/03 Submission  
 Backed out Mail claims. APM did not realize FEP HMP participated in the mail order program.

04/05 Submission

Includes Mail Admin, Rebates and Claims as FEP HMP does participate in the mail order program.

1 Removed Cost of Goods Sold (Drugs) (COGS).

2 Added Mail Administration centers as an allowable recovery.

3 Added allocations to Mail Service because FEP participates in the mail order program.

4 Includes all rebates (retail, mail & generic).

Anthem Prescription Management, Inc.  
 FEP Program True-up  
 2001 FEP True-Up Summary  
 Attachment 5

	Original	02/03 Submission	04/05 Submission	
Operating Expenses (Admin Fee)				
Admin Fee	\$ 251,245,063	\$ 251,245,063	\$ 251,245,063	1
Less unallowed accounts	\$ (322,632)	\$ (322,632)	\$ (210,504,003)	2
Less unallowed cost centers	\$ (233,911,611)	\$ (233,911,611)	\$ (4,442,822)	3
Less allocations to Mail Services (non-FEP)	\$ (450,077)	\$ (450,077)	\$ -	
Base allowable to FEP	\$ 16,520,804	\$ 16,520,804	\$ 36,098,211	
Allocated to other business based upon script volume	\$ (16,548,987)	\$ (16,540,727)	\$ (35,722,769)	
FEP portion of operating expenses	\$ 171,810	\$ 180,077	\$ 375,421	
Admin fee charged to FEP business	\$ 181,506	\$ 181,506	\$ 181,506	
Net Admin Due (To) / From FEP	\$ (9,699)	\$ (1,429)	\$ 183,915	
Rebates Shared				
Rebate Shared	\$ 77,126,606	\$ 77,126,606	\$ 79,550,708.21	4
Allocate to other business based upon script volume	\$ (76,485,459)	\$ (76,485,459)	\$ (78,723,381)	
Rebates allocated to FEP	\$ 640,151	\$ 640,151	\$ 827,327	
Rebate Shared FY 2001	\$ 820,153	\$ 820,153	\$ 827,327	
Net Rebates Due (To) / From FEP	\$ 820,153	\$ (160,255)	\$ (147,233)	
FEP Summary				
Admin Fee Adjustment	\$ (9,699)	\$ (1,429)	\$ 183,915	
Rebate Shared Adjustment	\$ 820,153	\$ (160,255)	\$ (147,233)	
Total Due (To) / From FEP	\$ 810,454	\$ (161,684)	\$ 136,682	

02/03 Submission  
 Backed out Mail claims. APM did not realize FEP HMP participated in the mail order program.

04/05 Submission  
 Includes Mail Admin, Rebates and Claims as FEP HMP does participate in the mail order program.

1 Removed Cost of Goods Sold (Drugs) (COGS).

2 Added Mail Administration centers as an allowable recovery.

3 Added allocations to Mail Services because FEP participates in the mail order program.

4 Includes all rebates (retail, mail & generic).

**Anthem Prescription Management, Inc.**  
**FEP Program True-up**  
**2002 FEP True-Up Summary**  
**ATTACHMENT 6**

	Original	04/06/05 Submission
<b>Operating Expenses (Admin Fee)</b>		
APM Operating Expenses	\$ 348,601,729	\$ 348,601,729
Less AIP adjustment	\$ (1,000,259)	\$ (1,000,259)
Less AIT adjustment	\$ (77,896)	\$ (77,896)
Less unallowed Executive Compensation	\$ (17,867)	\$ (17,867)
Plus HR adjustment	\$ 17,362	\$ 17,362
Plus Facilities adjustment	\$ 54,331	\$ 54,331
Less unallowed accounts	\$ (300,835,047)	\$ (300,835,047)
Plus Medical Director allocation	\$ 153,936	\$ 153,936
Plus Specialty allocation	\$ 622,499	\$ 622,499
Less unallowed cost centers	\$ (26,402,665)	\$ (5,747,681)
Base allowable to FEP	\$ 21,116,121	\$ 41,771,105
Allocation to other business based upon script volume	98.84% \$ 20,871,334	98.80% \$ 41,234,971
FEP Allocation of Operating Expenses	1.16% \$ 244,787	1.20% \$ 501,253
Admin fee charged to FEP business	\$ 239,124	\$ 239,124
<b>Net Admin Due (To) / From FEP</b>	<u>\$ 5,663</u>	<u>\$ 262,129</u>
<b>Rebates Shared</b>		
Rebates Earned	\$ 82,933,319	\$ 84,606,828
Allocate to other business based upon script volume	98.84% \$ (81,971,921)	98.80% \$ (83,555,624)
Rebates allocated to FEP	1.16% \$ 961,399	1.20% \$ 1,015,282
Rebates shared in 2002	\$ 970,078	\$ 970,078
<b>Net Rebates Due (To) / From FEP</b>	<u>\$ 8,679</u>	<u>\$ (45,204)</u>
<b>FEP Summary</b>		
Admin Fee Adjustment	\$ 5,663	\$ 262,129
Rebates Shared Adjustment	\$ 8,679	\$ (45,204)
<b>Total Due (To) / From FEP</b>	<u>\$ 14,343</u>	<u>\$ 216,925</u>

1 Original submission excluded Mail Order Pharmacy centers as an allowable recovery. This submission includes the Mail Order Pharmacy centers.

2 The HR True-Up was not included in this submission because it was not available. The submission labeled 04/06/05 was actually created before the submission labeled "Original." The tab labeled "Original" was what was submitted to FEP for 2002 originally. It was re-inserted in the 04/20/05 submission.

Anthem Prescription Management, LLC.  
 FEP Program True-Up  
 2003 FEP True-Up Summary  
 ATTACHMENT 7

	Original	04/05 Submission
<b>Operating Expenses (Admin Fee)</b>		
APM Operating Expenses	\$ 476,213,730	\$ 476,213,730
Less Executive Compensation	(28,961)	(28,961)
Less Specialty adjustment	(2,902,915)	(2,902,915)
Less Facilities adjustment	198,733	198,733
Less HR adjustment	(328,744)	(328,744)
Less Benefit adjustment	(1,222)	(1,222)
Less AIP Adjustment	(758,606)	(758,606)
Less AIP Tax Adjustment	(50,370)	(50,370)
Less unallowed accounts	(414,351,731)	(414,351,731)
Less unallowed cost centers	(7,247,380)	(7,247,380)
Base allowable to FEP	\$ 50,742,536	\$ 50,742,536
Allocation to other business based upon script volume	98.83% \$ 50,148,009	98.80% \$ 50,148,009
FEP Allocation of Operating Expenses	1.17% \$ 594,527	1.20% \$ 608,910
Admin fee charged to FEP business	\$ 239,124	\$ 187,391
<b>Net Admin Due (To) / From FEP</b>	<u>\$ 355,403</u>	<u>\$ 421,519</u>
<b>Rebates Shared</b>		
Rebates Earned	\$ 104,132,367	\$ 104,132,367
Allocate to other business based upon script volume	98.83% \$ (102,912,296)	98.80% \$ (102,882,778)
Rebates Allocated to FEP	1.17% \$ 1,220,071	1.20% \$ 1,249,588
Rebates shared in 2003	\$ 1,323,357	\$ 1,323,357
<b>Net Rebates Due (To) / From FEP</b>	<u>\$ 103,286</u>	<u>\$ 73,769</u>
<b>FEP Summary</b>		
Administrative Expenses Due (To) / From FEP	\$ 355,403	\$ 421,519
Rebates Due (To) / From FEP	\$ 103,286	\$ 73,769
<b>Total Due (To) / From FEP</b>	<u>\$ 458,689</u>	<u>\$ 495,288</u>

1 Administrative Fees charged to FEP in the Original column were as those amounts were shown in APM's True-Up report in 2002. That amount was replaced in the 4/05 submission with actuals provided by Midwest Region Cost & Budget.

**Anthem Prescription Management, LLC.**  
**FEP Program True-up**  
**2004 FEP True-Up Summary**  
**ATTACHMENT 8**

<b>Operating Expenses (Admin Fee)</b>	<b>Original Submission</b>	<b>04/05 Submission</b>
APM Operating Expenses	\$ 779,568,544	\$ 779,568,544
Less Executive Compensation Cap	(69,039)	(69,039)
Less Specialty adjustment	(0)	(0)
Less Facilities adjustment	(85,500)	(85,500)
Less HR adjustment	114,020	114,020
Less Benefit adjustment	756,312	756,312
Less AIP Adjustment	(1,209,373)	(1,209,373)
Less AIP Tax Adjustment	(82,513)	(82,513)
Less AIT Adjustment	(682,857)	(682,857)
Less Print Mail Adjustment	23,697	23,697
Less unallowed accounts	(712,276,321)	(712,276,321)
Less unallowed cost centers	(8,618,966)	(8,618,966)
Base allowable to FEP	\$ 57,438,002	\$ 57,438,002
Allocation to other business based upon script volume	99.18% \$ 56,968,126	99.15% \$ 56,950,118
FEP Allocation of Administrative Expenses	0.82% \$ 469,876	0.85% \$ 487,884
Admin Fee charged to FEP	\$ 173,138	\$ 173,138
<b>Net Admin Due (To) / From FEP</b>	<b>\$ 296,738</b>	<b>\$ 314,746</b>
<b>Rebates Shared</b>		
Rebates Earned	\$ 196,085,539	\$ 196,085,539
Allocate to other business based upon script volume	99.18% \$ 194,481,445	99.15% \$ 194,419,969
Rebates Allocated to FEP	0.82% \$ 1,604,093	0.85% \$ 1,665,570
Rebates shared in 2004	\$ 2,051,920	\$ 2,051,920
<b>Net Rebates Due (To) / From FEP</b>	<b>\$ 447,826</b>	<b>\$ 386,350</b>
<b>FEP Summary</b>		
Administrative Expenses Due (To) / From FEP	\$ 296,738	\$ 314,746
Rebates Due (To) / From FEP	\$ 447,826	\$ 386,350
<b>Total Due (To) / From FEP</b>	<b>\$ 744,564</b>	<b>\$ 701,096</b>

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From-

T-798 P.002/005 F-882

**Anthem Prescription Management, Inc.**  
**1998 FEP True-up**  
**Summary**

Operating Expenses (Admin Fee)	
	Original
APM Operating Expenses	\$ 126,156,667.80
Less unallowed accounts	224,501.23
Less unallowed cost centers	(111,311,879.78)
Less allocations to Mail Services (non-FEP)	(3,320,234.81)
Base allowable to FEP	11,749,054.44
Allocation to other business based upon script volume	99.09% (11,642,138.04)
FEP portion of operating expenses	106,916.40
Admin fee charged to FEP business	(83,530.54)
Adjustment to FEP business	\$ 23,385.86
	\$ 21,559.94

Rebates Shared	
	Original
Retail Rebates Earned	\$ (33,164,829.35)
Allocate to other business based upon script volume	99.09% 32,863,029.40
FEP portion of rebates earned	(301,799.95)
Rebates shared in 1998	163,435.00
Adjustment to FEP business	\$ (138,364.95)
	\$ (144,997.91)

Net Adjustment To FEP	
	Original
Admin Fee Adjustment	\$ 23,385.86
Rebates Shared Adjustment	(138,364.95)
Adjustment Due To FEP Programs	\$ (114,979.09)
	\$ 8,458.88

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PeopleSoft Zero Balance  
Drug Rebates

Unit	Account	Bus Div	Dept	Monetary Amount	Journal	Journal Line Description	Source
CIC	70300040	GRP		-65,145.00	STD3084	Benefits Dir-SA-Pharmacy	OMT
CIC	70300040	GRP		-382,563.00	STD3084	Benefits Dir-SA-Pharmacy	OMT
CIC	70300040	GRP		-80,758.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
CIC	70300040	GRP		-375,885.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
CIC	70300040	GRP		-58,802.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
CIC	70300040	GRP		-363,039.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
CIC	70300040	GRP		-361,316.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
	GRP Total			-5,206,818.84			
CIC	70300040	IND		-4,015.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
CIC	70300040	IND		-4,195.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
CIC	70300040	IND		-11,313.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
CIC	70300040	IND		-4,027.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
CIC	70300040	IND		-10,861.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
CIC	70300040	IND		-3,863.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
CIC	70300040	IND		-10,384.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
CIC	70300040	IND		-10,527.00	STD3084	Benefits Dir-SA-Pharmacy	ODR
CIC	70300040	IND		-3,938.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
CIC	70300040	IND		-10,628.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
CIC	70300040	IND		-3,668.00	STD3084	Benefits Dir-SA-Pharmacy	OMT
CIC	70300040	IND		-9,970.00	STD3084	Benefits Dir-SA-Pharmacy	OMT
CIC	70300040	IND		-3,547.00	STD3084	Benefits Dir-SA-Pharmacy	OMT
CIC	70300040	IND		-9,576.00	STD3084	Benefits Dir-SA-Pharmacy	OMT
CIC	70300040	IND		-4,084.00	STD3084	Benefits Dir-SA-Pharmacy	OMT
CIC	70300040	IND		-11,015.00	STD3084	Benefits Dir-SA-Pharmacy	OMT
CIC	70300040	IND		-4,090.00	STD3084	Benefits Dir-SA-Pharmacy	OMT
CIC	70300040	IND		-11,054.00	STD3084	Benefits Dir-SA-Pharmacy	OMT
CIC	70300040	IND		-3,409.00	STD3084	Benefits Dir-SA-Pharmacy	ODR
CIC	70300040	IND		-4,138.00	STD3084	Benefits Dir-SA-Pharmacy	OMT
CIC	70300040	IND		-11,161.00	STD3084	Benefits Dir-SA-Pharmacy	OMT
CIC	70300040	IND		-3,816.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
CIC	70300040	IND		-9,729.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
CIC	70300040	IND		-10,799.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
	IND Total			-173,817.00			
CIC	70300040	NAUT		-33,869.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
CIC	70300040	NAUT		-33,632.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
CIC	70300040	NAUT		-40,274.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
CIC	70300040	NAUT		-37,564.00	STD3084	Benefits Dir-SA-Pharmacy	ODR
CIC	70300040	NAUT		-38,480.00	STD3084	Benefits Dir-SA-Pharmacy	OMT
CIC	70300040	NAUT		-39,942.00	STD3084	Benefits Dir-SA-Pharmacy	OMT
CIC	70300040	NAUT		-44,797.00	STD3084	Benefits Dir-SA-Pharmacy	OMT
CIC	70300040	NAUT		-42,164.00	STD3084	Benefits Dir-SA-Pharmacy	OMT
CIC	70300040	NAUT		-39,585.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
CIC	70300040	NAUT		-41,562.00	STD3084	Benefits Dir-SA-Pharmacy	OMT
CIC	70300040	NAUT		-39,331.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
CIC	70300040	NAUT		-35,331.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
	NAUT Total			-466,521.00			
CIC	70300040	NFEP		-12,028.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
CIC	70300040	NFEP		-14,391.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
CIC	70300040	NFEP		-12,969.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
CIC	70300040	NFEP		-13,429.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
CIC	70300040	NFEP		-14,011.00	STD3084	Benefits Dir-SA-Pharmacy	OMT
CIC	70300040	NFEP		-13,430.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
CIC	70300040	NFEP		-14,289.00	STD3084	Benefits Dir-SA-Pharmacy	OMT
CIC	70300040	NFEP		-13,447.00	STD3084	Benefits Dir-SA-Pharmacy	OMT
CIC	70300040	NFEP		-13,728.00	STD3084	Benefits Dir-SA-Pharmacy	OMT
CIC	70300040	NFEP		-15,101.00	STD3084	Benefits Dir-SA-Pharmacy	OMT
CIC	70300040	NFEP		-12,600.00	STD3084	Benefits Dir-SA-Pharmacy	ODR
CIC	70300040	NFEP		-14,012.00	STD3084	Benefits Dir-SA-Pharmacy	OSL
	NFEP Total			-185,135.00			
CIC	70300040	NNAT		-49,081.00	STD3084	Benefits Dir-SA-Pharmacy	OSL

← 116,9435.00



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T-798 P.004/005 F-882

Anthem Midwest Region  
1998 Peoplesoft Zero Balance  
Account Detail - 87100103 Argus Drug

Unit	Account	Bus Div	Dept	Monetary Amount	Journal	Journal Line Description
	87100103	IND	479	9,923.42	STD1122	CPM/Argus Admin Fees
	87100103	IND	479	-8,924.56	STD1122	CPM/Argus Admin Fees
CIC	87100103	IND	479	5,013.60	STD1123	CPM/Argus Admin Fees
CIC	87100103	IND	479	-8,924.56	STD1122	CPM/Argus Admin Fees
CIC	87100103	IND	479	363.52	STD1122A	CPM/Argus Admin Fees
CIC	87100103	IND	479	8,924.56	STD1122	CPM/Argus Admin Fees
		IND Total		11,398.05		
CIC	87100103	NAUT	223	-19,300.67	STD1122	GSL_TO ACCRUE ARGUS CLAIMS EXP
CIC	87100103	NAUT	223	-968.41	STD1122A	GSL_TO ACCRUE ARGUS CLAIMS EXP
CIC	87100103	NAUT	223	20,269.08	0000035333	Business Division Reclass - Fe
		NAUT Tot		0.00		
CIC	87100103	NFEP	779	-2,630.11	STD1122	GSL_TO ACCRUE ARGUS CLAIMS EXP
CIC	87100103	NFEP	779	-276.27	STD1122A	GSL_TO ACCRUE ARGUS CLAIMS EXP
CIC	87100103	NFEP	779	2,040.40	ARGADMIN	
CIC	87100103	NFEP	779	83.60	RXADMIN	
CIC	87100103	NFEP	779	3.20	ARGADMIN	
CIC	87100103	NFEP	779	-3,715.99	STD1122	CPM/Argus Admin Fees
CIC	87100103	NFEP	779	87.20	RXADMIN	
CIC	87100103	NFEP	779	13.60	ARGADMIN	
CIC	87100103	NFEP	779	171.20	RXADMIN	
CIC	87100103	NFEP	779	3,186.60	ARGADMIN	
CIC	87100103	NFEP	779	6.40	ARGADMIN	
CIC	87100103	NFEP	779	3,851.49	STD1122	CPM/Argus Admin Fees
CIC	87100103	NFEP	779	2.00	ARGADMIN	
CIC	87100103	NFEP	779	156.00	RXADMIN	
CIC	87100103	NFEP	779	2,818.80	ARGADMIN	
CIC	87100103	NFEP	779	3,090.00	ARGADMIN	
CIC	87100103	NFEP	779	-4,500.27	STD1122	CPM/Argus Admin Fees
CIC	87100103	NFEP	779	4,500.27	STD1122	CPM/Argus Admin Fees
	87100103	NFEP	779	4.50	ARGADMIN	
	87100103	NFEP	779	178.80	RXADMIN	
CIC	87100103	NFEP	779	3,737.80	ARGADMIN	
CIC	87100103	NFEP	779	-4,694.42	STD1122	CPM/Argus Admin Fees
CIC	87100103	NFEP	779	4,694.42	STD1122	CPM/Argus Admin Fees
CIC	87100103	NFEP	779	4.50	ARGADMIN	
CIC	87100103	NFEP	779	-4,916.92	STD1122	CPM/Argus Admin Fees
CIC	87100103	NFEP	779	4,916.92	STD1122	CPM/Argus Admin Fees
CIC	87100103	NFEP	779	1.50	ARGADMIN	
CIC	87100103	NFEP	779	205.20	RXADMIN	
CIC	87100103	NFEP	779	4,071.80	ARGADMIN	
CIC	87100103	NFEP	779	2.50	ARGADMIN	
CIC	87100103	NFEP	779	141.80	RXADMIN	
CIC	87100103	NFEP	779	2,951.10	ARGADMIN	
CIC	87100103	NFEP	779	136.00	RXADMIN	
CIC	87100103	NFEP	779	3,369.30	ARGADMINX	
CIC	87100103	NFEP	779	6.40	ARGADMIN	
CIC	87100103	NFEP	779	156.40	RXADMIN	
CIC	87100103	NFEP	779	2,958.00	ARGADMIN	
CIC	87100103	NFEP	779	-4,884.93	STD1122	CPM/Argus Admin Fees
CIC	87100103	NFEP	779	4,884.93	STD1122	CPM/Argus Admin Fees
CIC	87100103	NFEP	779	3.50	ARGADMIN	
CIC	87100103	NFEP	779	182.00	RXADMIN	
CIC	87100103	NFEP	779	3,758.50	ARGADMIN	
CIC	87100103	NFEP	779	2.50	ARGADMIN	
CIC	87100103	NFEP	779	145.80	RXADMIN	
CIC	87100103	NFEP	779	2,948.90	ARGADMIN	
CIC	87100103	NFEP	779	166.80	RXADMIN	
CIC	87100103	NFEP	779	3,042.30	ARGADMIN	
CIC	87100103	NFEP	779	-5,160.31	STD1122	CPM/Argus Admin Fees
	87100103	NFEP	779	5,160.31	STD1122	CPM/Argus Admin Fees
CIC	87100103	NFEP	779	1.50	ARGADMIN	



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Anthem Midwest Region  
1998 Peoplesoft Zero Balance  
Account Detail - 87100103 Argus Drug

Unit	Account	Bus Div	Dept	Monetary Amount	Journal	Journal Line Description
	87100103	NFEP	779	3,212.50	ARGADMIN	
CIC	87100103	NFEP	779	-5,136.84	STD1122	CPM/Argus Admin Fees
CIC	87100103	NFEP	779	5,136.84	STD1122	CPM/Argus Admin Fees
CIC	87100103	NFEP	779	4.50	ARGADMIN	
CIC	87100103	NFEP	779	128.40	RXADMIN	
CIC	87100103	NFEP	779	3,923.10	ARGADMIN	
CIC	87100103	NFEP	779	5,098.14	STD1122A	CPM/Argus Admin Fees
CIC	87100103	NFEP	779	-5,098.14	STD1122	CPM/Argus Admin Fees
CIC	87100103	NFEP	779	2.00	ARGADMIN	
CIC	87100103	NFEP	779	143.20	RXADMIN	
CIC	87100103	NFEP	779	3,524.60	ARGADMIN	
CIC	87100103	NFEP	779	4.50	ARGADMIN	
CIC	87100103	NFEP	779	163.60	RXADMIN	
CIC	87100103	NFEP	779	-5,098.14	STD1122B	CPM/Argus Admin Fees
CIC	87100103	NFEP	779	-5,098.14	STD1122A	CPM/Argus Admin Fees
CIC	87100103	NFEP	779	5,098.14	STD1122	CPM/Argus Admin Fees
CIC	87100103	NFEP	779	5,098.14	STD1122B	CPM/Argus Admin Fees
CIC	87100103	NFEP	779	1.50	ARGADMIN	
CIC	87100103	NFEP	779	166.80	RXADMIN	
CIC	87100103	NFEP	779	-166.80	RXADMIN	
CIC	87100103	NFEP	779	3,042.30	ARGADMIN	
CIC	87100103	NFEP	779	-3,042.30	ARGADMIN	
CIC	87100103	NFEP	779	4,218.40	ARGADMINX	
CIC	87100103	NFEP	779	4.50	ARGADMIN	
CIC	87100103	NFEP	779	151.20	RXADMIN	
CIC	87100103	NFEP	779	3,197.20	ARGADMIN	
CIC	87100103	NFEP	779	0.50	ARGADMIN	
CIC	87100103	NFEP	779	184.00	RXADMIN	
CIC	87100103	NFEP	779	3,435.80	ARGADMIN	
	87100103	NFEP	779	-5,376.94	STD1122	CPM/Argus Admin Fees
	87100103	NFEP	779	5,376.94	STD1122	CPM/Argus Admin Fees
CIC	87100103	NFEP	779	2.50	ARGADMIN	
CIC	87100103	NFEP	779	210.40	RXADMIN	
CIC	87100103	NFEP	779	728.38	STD1122A	CPM/Argus Admin Fees
CIC	87100103	NFEP	779	4,901.57	STD1122	CPM/Argus Admin Fees
CIC	87100103	NFEP	779	0.50	ARGADMIN	
CIC	87100103	NFEP	779	184.00	RXADMIN	
CIC	87100103	NFEP	779	3,766.80	ARGADMIN	
CIC	87100103	NFEP	779	173.60	RXADMIN	
CIC	87100103	NFEP	779	3,582.90	ARGADMIN	
CIC	87100103	NFEP	779	4.00	ARGADMIN	
CIC	87100103	NFEP	779	159.20	RXADMIN	
CIC	87100103	NFEP	779	4.50	ARGADMIN	
CIC	87100103	NFEP	779	-3,851.49	STD1122	CPM/Argus Admin Fees
CIC	87100103	NFEP	779	124.80	RXADMIN	
CIC	87100103	NFEP	779	2,627.20	ARGADMIN	
CIC	87100103	NFEP	779	7.20	ARGADMIN	
CIC	87100103	NFEP	779	188.80	RXADMIN	
CIC	87100103	NFEP	779	2,602.00	ARGADMIN	
CIC	87100103	NFEP	779	-3,851.49	STD1122	CPM/Argus Admin Fees
CIC	87100103	NFEP	779	276.27	STD1122A	CPM/Argus Admin Fees
CIC	87100103	NFEP	779	3,851.49	STD1122	CPM/Argus Admin Fees
CIC	87100103	NFEP	779	2,284.90	ARGADMIN	
CIC	87100103	NFEP	779	3,715.99	STD1122	CPM/Argus Admin Fees
CIC	87100103	NFEP	779	2,588.40	ARGADMIN	
CIC	87100103	NFEP	779	128.00	RXADMIN	
CIC	87100103	NFEP	779	2.00	ARGADMIN	
	NFEP Tot			3,530.54		
AHI	87100103	NNAT	1304	-2,817.30	STDC147	CPM/Argus Admin Fees
	87100103	NNAT	1304	-1,119.54	STDC147	CPM/Argus Admin Fees
	87100103	NNAT	1304	-2,025.72	STDC147	CPM/Argus Admin Fees

← \$83,530.54